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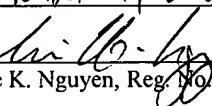
Customer No. 31013
Atty. Docket No.: 055711/00002

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

In re Application of: Morris et al. Confirm. No.: 1214
Serial No.: 09/607,891 Examiner: H.T. Dass
Filed: June 30, 2000 Group Art Unit: 3628
For: **RETIREMENT COMPENSATION AGREEMENT FINANCING
SYSTEM AND METHOD**

Mail Stop APPEAL BRIEF - PATENTS
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Leslie K. Nguyen, Reg. No. 49,081	

REPLY TO NOTIFICATION OF NON-COMPLIANT APPEAL BRIEF
MAILED AUGUST 2, 2006

Sir:

This is in reply to the Notification of Non-Compliant Appeal Brief (37 CFR 41.37) mailed August 2, 2006 in the above-referenced patent application under appeal. This Reply and the attached Supplemental Appeal Brief are being submitted within the shortened statutory period set for response in the Notice.

The Notice of Non-Compliant Appeal Brief noted that the original Appeal Brief filed in this case on July 10, 2006 did not provide (i) a summary of claim subject matter

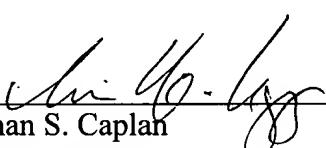
including a concise explanation of the independent claims involved in the appeal, referring to the specification by page and line number and to the drawings, and (ii) an argument under a separate heading for each ground of rejection on appeal. As requested by the Notification of Non-Compliant Appeal Brief, Applicants are submitting herewith a complete Supplemental Appeal Brief whereby (i) the summary of claim subject matter includes a concise explanation of the independent claims involved in the appeal, referring to the specification by page and line number and to the drawings, and (ii) separate headings are provided for arguments for each ground of rejection on appeal.

Notice to the effect that the Supplemental Appeal Brief submitted herewith is in compliance with 37 CFR 41.37 is respectfully requested.

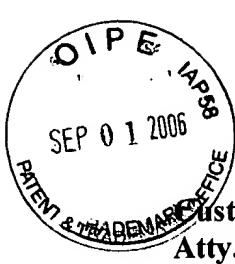
No fee is believed due with this Reply. Please charge any fee deficiency to Deposit Account No. 50-0540.

Respectfully submitted,

Dated: 09/01/01

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Date: SEPTEMBER 1, 2006
Signature: Leslie K. Nguyen
Leslie K. Nguyen, Reg. No. 49,081

SUPPLEMENTAL APPEAL BRIEF

Sir:

This is an appeal from the final rejection of claims 1-20 in the above-referenced patent application. A Notice of Appeal in this application was received by the U.S. Patent and Trademark Office on February 10, 2006. Applicants filed an Appeal Brief along with a Petition for a three-month extension of time on July 10, 2006.

Applicants are filing this Supplemental Appeal Brief to comply with a Notification of Non-Compliant Appeal Brief (37 CFR 41.37) mailed August 2, 2006 in this case. The Notification of Non-Compliant Appeal Brief requested that Applicants submit an amended

Brief whereby (i) the summary of claim subject matter include a concise explanation of the independent claims involved in the appeal, referring to the specification by page and line number and to the drawings, and (ii) the brief present an argument under a separate heading for each ground of rejection on appeal. This Supplemental Appeal Brief together with a separate Reply to Notification of Non-Compliant Appeal Brief Mailed August 2, 2006 are being submitted within the shortened statutory period set for response in the Notification.

Applicants have previously requested that the amount of \$510.00 be debited from Deposit Account No. 50-0540 to cover the fee under 37 CFR 1.17(a)(3). Please charge any fee deficiency and credit any overpayment to Deposit Account No. 50-0540.

REAL PARTY IN INTEREST

The real party in interest in this appeal is Voyageur Projects Inc. of Regina, Saskatchewan, Canada.

RELATED APPEALS AND INTERFERENCES

Applicants are not aware of any related appeals or interferences which directly affect, or are directly affected by, or have a bearing on the Board's decision in this appeal.

STATUS OF CLAIMS

Claims 1-20 are pending in this application. Independent claims 1, 7 and 16 and dependent claims 2, 6, 8-14 and 17-19 stand finally rejected under 35 U.S.C. § 103(a) as being obvious over Elizabeth Moore, *Swimming In Funds/Union Funds May Help Bay Shore Aquarium*, NEWSDAY, Nassau and Suffolk Edition, A-08 (July 11, 1997) (hereinafter "Moore") in view of the Admitted Prior Art (hereinafter the "APA") and Fillmore W. Galaty et al., MODERN REAL ESTATE PRACTICE, Fifteenth Edition (2000) (hereinafter "Galaty"). Dependent claims 3-5, 15 and 20 stand finally rejected under 35 U.S.C. § 103(a) as being obvious over

Moore, the APA, Galaty and further in view of Dian Hymer, *Loan Options: Conforming or Jumbo?*, Mortgage Bankers Association of America (1999) (hereinafter "Hymer").

This is an appeal from the final rejection of claims 1-20. The Claims Appendix annexed hereto lists claims 1-20 under appeal.

STATUS OF AMENDMENTS

Applicants appeal the final rejection of claims 1-20 set forth in the Office Action mailed August 11, 2005. On February 9, 2005, Applicants filed an Amendment and Response to Office Action. The Amendment presented amendments to independent claims 1, 7 and 16 and dependent claim 3. In the final Office Action mailed August 11, 2005, the Amendment was entered and considered -- the Examiner maintaining all of the outstanding claim rejections.

SUMMARY OF CLAIMED SUBJECT MATTER

The presently claimed invention is generally directed to a new system and method of using a plurality of retirement compensation agreement (RCA) loans, each backed by a cash value life insurance policy and a refundable tax deposit, to secure debt instruments which can be marketed and sold in the financial marketplace.

RCA loans are made in connection with the Canadian taxation authority's plan for an employer to make contributions to fund retirement benefits for an employee. Conventionally, an RCA loan requires a company to first make a contribution that is divided equally between a refundable tax account at Revenue Canada and an RCA trust. *See, e.g., Specification* at 3:12-19. The RCA trust then purchases a cash value life insurance policy. *See, e.g., Specification* at 3:29-4:8. However, there are constraints that limit how the RCA transaction is implemented. For example, due to tax regulations on how much of an investment in an insurance policy can grow free from accrual taxation, the RCA trust cannot put all of the one-half of the company's

contribution that it receives into the insurance policy right away and some must go into a side account. As interest is earned on the side account's principal prior to being put into the insurance policy, one-half of that interest is remitted to the refundable tax account at Revenue Canada. *See, e.g., Specification* at 6:15-7:18.

Once the RCA is established, the RCA trust pledges the insurance policy as well as contractual refund rights to a lender and receives a loan. The RCA trust can then lend the loan proceeds back to the company. *See, e.g., Specification* at 4:8-21. Due to the complexity of RCA loans, creating a securitized pool of RCA loans and then using the pool of RCA loans for a private or public debt offering is not conventionally known.

The present claimed invention provides a new system and method for securitizing a plurality of RCA loans with a life insurance policy and a refundable tax deposit account and marketing of the debt securities backed by the RCA loans while maintaining payments of principal and interest on the debt securities in the event of default on an RCA loan.

In accordance with the embodiment of the inventive method of securitizing RCA loans claimed in independent claim 1, a plurality of RCA loans are aggregated wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy. *See, e.g. Specification* at 19:17-27:13 and Fig. 6. Unlike conventional securitization methods, the inventive method according to claim 1 takes into account maintaining payments of principal and interest on the debt securities in an event of a default of one of the plurality of RCA loans. *See, e.g., Specification* at 23:8-25:14 and Fig. 6.

Independent claims 7 and 16 are system claims which correspond to independent method claim 1. Independent claims 7 and 16 variously recite means for offering debt security by aggregating a plurality of RCA loans wherein each of the RCA loans is backed by a refundable

tax deposit and a life insurance policy. *See, e.g. Specification* at 19:17-27:13 and Fig. 6. Unlike conventional securitization systems, the inventive systems according to independent claims 7 and 16 take into account maintaining payments of principal and interest on the debt securities in an event of a default of one of the plurality of RCA loans. *See, e.g., Specification* at 23:8-25:14 and Fig. 6.

Dependent claims 2-6 variously recite embodiments of the method of independent claim 1 according to the present invention. *See e.g., Specification* at 19:17-29:18 and Figs. 6, 7 and 10. Dependent claims 8-15 variously recite embodiments of the system of independent claim 7 according to the present invention. *See, e.g., Specification* at 29:19-36:2 and Figs. 6, 7 and 10. Dependent claims 17-20 variously recite embodiments of the system of independent claim 16 according to the present invention. *See, e.g., Specification* at 29:19-36:2 and Figs. 6, 7 and 10.

GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

The issues on appeal are:

- (1) whether independent claims 1, 7 and 16 and dependent claims 2, 6, 8-14 and 16-19 are patentable under 35 U.S.C. §103(a) over Moore in view of the APA and Galaty; and
- (2) whether dependent claims 3-5, 15 and 20 are patentable under 35 U.S.C. §103(a) over Moore, the APA, Galaty and further in view of Hymer.

ARGUMENT

Brief Description Of The Prior Art.

Moore, the principal reference cited by the Examiner in the final Office Action mailed August 11, 2005, generally relates to a conventional pension plan used in the United States. According to the Examiner, Moore describes aggregating a plurality of loans, creating a

plurality of debt securities backed by the plurality of loans and selling the plurality of debt securities in an offering.

The APA, as discussed above, describes RCA loans which are created when a company makes a contribution that is divided equally between a refundable tax account and an RCA trust. The RCA trust then purchases a cash value life insurance policy. Once the RCA is established, the RCA trust pledges the insurance policy as well as contractual refund rights to a lender, receives a loan and lends the loan proceeds back to the company.

Galaty describes well-known mortgage-backed securities, which are debt instruments secured by pools of mortgages. Mortgage-backed securities are highly liquid and well understood in the marketplace, having years of financial transactional data available so that risk factors can be accurately evaluated. The liquidity of mortgage-backed securities derives from the underlying collateral in a mortgage-backed security, real property, which is readily identifiable (i.e. on a property map) and subject to appraisal (itself also a well-understood industry) and amenable to sale, lease, refinancing or other disposition.

Hymer describes the differences between conventional conforming and jumbo mortgages. In particular, Hymer describes the possible “piggy-backing” a second mortgage with a conforming first mortgage in order to avoid a jumbo mortgage.

As discussed in greater detail below, the prior art references, whether taken alone or in combination, fail to disclose, yield or suggest aggregating and securitizing a plurality of RCA loans with a life insurance policy and a refundable tax deposit account and marketing of the debt securities backed by the RCA loans. In addition, it would not have been obvious to one of ordinary skill in the art at the time of the invention to combine any of the references as the references fail to provide any motivation to so combine.

Legal Framework: The *Prima Facie* Case Of Obviousness.

The *prima facie* case of obviousness under 35 U.S.C. §103 is a procedural tool of examination, and requires that the Examiner initially produce evidence sufficient to support a ruling of obviousness. *See In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984); *see also, In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). If the Examiner does not make a *prima facie* case, the applicant is under no obligation to submit evidence of nonobviousness. *See In re Piasecki*, 745 F.2d at 1472; *In re Oetiker*, 977 F.2d at 1445; *see also*, MPEP §2142.

It is well-settled that three basic criteria must be met in order to establish a *prima facie* case of obviousness. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to combine the reference teachings. *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1165 (Fed. Cir. 2006); *In re Kotzab*, 217 F.3d 1365, 1370 (Fed. Cir. 2000); *see also, In re Fine*, 837 F.2d 1071, 1074-1075 (Fed. Cir. 1988). Second, there must be a reasonable expectation of success. *See Medichem, S.A.*, 437 F.3d at 1165; *Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1366 (Fed. Cir. 1998) (“The consistent criterion for determination of obviousness is whether the prior art would have suggested to one of ordinary skill in the art that this process should be carried out and would have a reasonable likelihood of success.”); *see also, In re Vaeck*, 947 F.2d 488, 493 (Fed. Cir. 1991). Lastly, the prior art references, when combined, must teach or suggest all the claim limitations. *See In re Royka*, 490 F.2d 981, 984-985 (CCPA 1974); *see also In re Wilson*, 424 F.2d 1382, 1385 (CCPA 1970) (“All words in a claim must be considered in judging the patentability of that claim against the prior art.”); *In re Fine*, 837 F.2d at 1076 (“Dependent claims are nonobvious under section 103 if the independent claims from which they depend are nonobvious.”). Mere identification in the prior art of each element is

insufficient to defeat the patentability of the combined subject matter as a whole. *In re Kahn*, 441 F.3d 977, 986 (Fed. Cir. 2006). The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on the applicant's disclosure. See *In re Vaeck*, 947 F.2d at 493.

Thus, in determining whether the Examiner has met her burden of establishing a *prima facie* case of obviousness, it is necessary to ascertain whether the Examiner has provided sufficient reasoning to show that the cited references would lead one of ordinary skill in the relevant art at the time the invention was made with full knowledge of the cited references to combine them to successfully and naturally arrive at the claimed invention. See e.g., *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992); see also *In re Lueders*, 111 F.3d 1569, 1573-1574 (Fed. Cir. 1997); *Ex parte Clapp*, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985). For the reasons set forth hereinafter, it is respectfully submitted that the Examiner has not met this burden on all criteria.

The Examiner Failed To Established A *Prima Facie* Case Of Obviousness Due To A Fundamental Misunderstanding Of The Claimed Invention.

Rather than making arguments based on prior art references directed specifically to RCA loans, the Examiner is merely attempting to apply well-known securitization methods to RCA loans without appreciating the difficulties of aggregating and maintaining RCA loans due to their restrictive nature. If the Examiner's contentions for combining prior art references is accepted, no applicant would be able to patent new or improved methods and systems for aggregating and securitizing different types of assets or loans.

A. Claims 1-2, 6-14 And 16-19 Are Patentable Under 35 U.S.C. § 103(a) Over Moore, The APA And Galaty

As explained below, a review and reading of the Moore and Galaty references cited by the Examiner, as well as the APA, makes clear that these references, whether taken alone or combined, do not disclose, yield or suggest the present invention as claimed in claims 1-2, 6-14 and 16-19 under appeal. Accordingly, claims 1-2, 6-14 and 16-19 are patentable under 35 U.S.C. §103(a) over Moore in view of the APA and Galaty.

As discussed above, the claimed invention is directed to a new system and method for aggregating and securitizing RCA loans with a life insurance policy and a refundable tax deposit account and then marketing of the debt securities backed by the RCA loans. In accordance with the present invention as claimed in independent claims 1, 7 and 16, the system and method further contemplate maintaining payments of principal and interest on the debt securities in the event of default on a RCA loan.

Independent claim 1 recites a method for securitizing RCA loans by aggregating a plurality of RCA loans wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy. *See, e.g., Specification* at 19:17-27:13 and Fig. 6. More particularly, independent claim 1 recites maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans. *See, e.g., Specification* at 23:8-25:14 and Fig. 6.

Independent claims 7 and 16 of the present application each recite a system for offering debt security wherein each of a plurality of RCA loans is backed by a refundable tax deposit and a life insurance policy. *See, e.g., Specification* at 19:17-27:13 and Fig. 6. More particularly, independent claims 7 and 16 each affirmatively recite that payments of principal and

interest on the debt securities are maintained in an event of a default of one of the plurality of RCA loans. *See, e.g., Specification* at 23:8-25:14 and Fig. 6.

As explained below, the Examiner's persistent failure to recognize that the claimed invention is directed to a method and system for aggregating and securitizing a plurality of RCA loans with a life insurance policy and a refundable tax deposit account, marketing of the debt securities backed by the RCA loans and maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans -- and not to a method and system for securing debt instruments using conventional assets or mortgages -- dooms the Examiner's attempt to establish a *prima facie* case of obviousness based on the above cited references. Since the Examiner has not established a *prima facie* case, Applicants are under no obligation to submit evidence of nonobviousness. *See In re Piasecki*, 745 F.2d at 1472; *In re Oetiker*, 977 F.2d at 1445; *see also*, MPEP §2142.

In the final Office Action mailed August 11, 2005, the Examiner states that "[i]t would have been obvious at the time the invention was made to a person having ordinary skill in the art to combine the disclosure of Moore and APA to aggregate funds and create security backed by pension funds where the income from the securities benefit the retirement accounts." *See* page 4 of the final Office Action. The Examiner further states that "[i]t would have been obvious at the time the invention was made to a person of ordinary skill in the art to combine the disclosures of Moore, Galaty and APA, to obtain incomes from asset backed securities and life insurance to fund pensions payable to executives as an incentive for attraction and retention of key executives." *See* page 5 of the final Office Action. It is respectfully submitted that these general statements by the Examiner are severely flawed and do not establish *prima facie* case of obviousness.

The claimed invention is not concerned with merely aggregating and securitizing any type of asset or mortgage. Rather, it is directed to aggregating RCA loans with a life insurance policy and a refundable tax deposit account, marketing of the debt securities backed by the RCA loans and maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans.

Applicants respectfully submit that Moore, at most, describes offering bonds or loans backed by pension funds. As admitted by the Examiner, Moore does not anticipate Applicants' claimed invention because Moore does not contemplate aggregating and securitizing RCA loans with a life insurance policy and a refundable tax deposit account and maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans. Moore, in stark contrast to the claimed invention, makes no allowance whatsoever for a life insurance policy and a refundable tax deposit account, let alone maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans. Moore provides no motivation to combine with any other cited reference, and it would not have been obvious to one of ordinary skill in the art at the time of the invention to apply Moore to RCA loans.

The APA and the Galaty reference in combination with Moore do not overcome the severe deficiencies of Moore.

Due to the significant uncertainties which are reflected in the nature of the RCA loan, the claimed RCA debt security did not exist prior to Applicants invention. Such uncertainties described in the Specification include lack of liquidity in the event of a company's default on an RCA loan, potential negative carry, insurance policy failing to perform in accordance with expected values and difficult and/or protracted recovery process from

refundable tax account. *See, e.g., Specification* at 23:8-17; 24:25-25:2; 25:10-13; 26:11-21. Because of these uncertainties, the claimed maintenance of payments of principal and interest on debt securities backed by RCA loans in an event of default of one of the RCA loans needs to be provided for, as described, for example, in the Specification at 22:7-24:14. This results in a completely different type of debt security and a method and system to provide it than that which is described in the APA. Because the APA did not disclose maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans, combining Moore and the APA would not yield the present invention, if it even was proper to make such a combination, which it is not because neither Moore nor the APA provide any motivation to be combined.

Galaty does not cure the deficiencies of Moore and the APA. Galaty relates to the well-known mortgage-backed securities, which are debt instruments secured by pools of mortgages. *See Galaty* at p. 227. Such mortgage-backed securities, however, fail to teach, or even suggest, the RCA loan-backed securities claimed in the present application. For example, mortgage-backed securities are highly liquid and well understood in the marketplace, having years of financial transaction data available so that risk factors can be accurately evaluated. In particular, the liquidity of mortgage-backed securities derives from the underlying collateral in a mortgage backed security, real property, which is readily identifiable and subject to appraisal and amenable to sale, lease, refinancing or other disposition.

In contrast, and as explained above, the underlying collateral for the claimed RCA loan backed securities of the present application, *i.e.*, a combination of an insurance policy and a refundable government tax account, is relatively illiquid, not easily realized upon, and not amenable to a quick disposition, especially when compared to the mortgage loans supporting

mortgage-backed securities and their underlying real property collateral. The illiquidity of the life insurance component of a RCA loan's collateral derives from the fortuitous nature of the insurance carrier's obligation to pay a death benefit or to respond to an involuntary surrender event, such as termination, disability or sale of a business. *See, e.g., Specification* at 27:14-30. Accordingly, any loan obligation secured by such collateral will be illiquid and have impaired value.

Similarly, the refundable government tax account component of an RCA loan's collateral is also illiquid and without marketplace. As explained in the Specification, the RCA's refundable tax account, as well as the investment portion of the RCA, can only be withdrawn in defined amounts based on events generally beyond an individual's control, such as termination, sale of the business, disability or other such substantial change in employment status. *See, e.g., Specification* at 2:15-3:20; 5:12-23; 26:11-31. Additionally, there are legal and logistical complexities involved in a third tier non-recourse assignee/creditor pursuing a claim for refund of a tax deposit account owned by the original beneficiary of an RCA trust. This further exacerbates this illiquidity. *See, e.g., Specification* at 23:18-24:4; 26:11-31.

Thus, there is no comparable market for insurance policies or tax accounts used for RCA loans, and certainly no comparable market for their combination, as exists for real property or real property mortgages, such as is described in Galaty. As a result, Galaty is unconcerned with providing a structure for the continued payment of principal and interest on debt securities in the event of a default of an underlying RCA loan.

Therefore, Applicants respectfully assert that the mortgages used to support the highly liquid mortgage-backed securities described in Galaty fail to teach or suggest the use of relatively illiquid and highly complex RCA loans to back debt securities. Congruously, Galaty

mentions nothing about ameliorating the uncertainties unique to such loans when offering debt securities backed by them.

In view of the foregoing, it is submitted that one of ordinary skill in the art who reads and understands Moore, the APA and Galaty would not be motivated, let alone equipped, to arrive at the present invention as claimed in claims 1-2, 6-14 and 16-19. As a result, independent claims 1, 7 and 16 are patentable over the cited references, whether taken alone or combined. It is further submitted that dependent claims 2, 6, 8-14 and 17-19 are allowable by virtue of their various dependencies from independent claims 1, 7 and 16, as well as for the additional features and steps recited therein.

B. Claims 3-5, 15 And 20 Are Patentable Under 35 U.S.C. § 103(a) Over Moore, The APA, Galaty And Hymer

It is also submitted that dependent claims 3-5, 15 and 20 are allowable by virtue of their various dependencies from independent claims 1, 7 and 16 as discussed above. In addition, a review and reading of the Hymer reference cited by the Examiner, whether taken alone or combined with Moore, the APA and Galaty, does not disclose, yield or suggest the present invention as claimed in claims 3-5, 15 and 20 under appeal. Hymer describes the differences between conventional conforming and jumbo mortgages. Hymer also describes “piggy-backing” a second mortgage with a conforming first mortgage in order to avoid a jumbo mortgage. Hymer does not disclose, yield or suggest a system or method that aggregates RCA loans with a life insurance policy and a refundable tax deposit account and marketing of the debt securities backed by the RCA loans, let alone maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans. Hymer provides no motivation to combine the cited references, and it would not have been obvious to one of ordinary skill in the art at the time of the invention to do so. Accordingly, claims 3-5, 15

and 20 are patentable under 35 U.S.C. §103(a) over Moore, the APA, Galaty and further in view of Hymer.

As discussed above, it is the Examiner's burden to produce a supportable *prima facie* case of obviousness. *See In re Piasecki*, 745 F.2d at 1472; *In re Oetiker*, 977 F.2d at 1445. Here, it is respectfully submitted that the Examiner has widely missed the mark, instead directing arguments for combining the above-cited references to something other than the claimed invention based on a flawed interpretation of the claimed invention. As a result, the Examiner has not provided sufficient grounds to show that the cited references would lead one of ordinary skill in the relevant art at the time the invention was made with full knowledge of the cited references to combine them to successfully and naturally arrive at the claimed invention. *See e.g., In re Fritch*, 972 F.2d at 1265; *In re Lueders*, 111 F.3d at 1573-1574; *Ex parte Clapp*, 227 USPQ at 973. Accordingly, the Examiner has not met his burden of establishing a *prima facie* case of obviousness, and the rejection of claims 1-20 under 35 U.S.C. §103(a) should be reversed.

CONCLUSION

For the reasons advanced above, Applicants respectfully submit that claims 1-2, 6-14, and 16-19 are allowable over Moore, the APA and Galaty. Applicants further submit that claims 3-5 and 15 are allowable over Moore, the APA, Galaty and Hymer. Applicants therefore respectfully request that the rejection of claims 1-20 under 35 U.S.C. §103(a) be reversed.

Respectfully submitted,

Dated: 09/01/06

By: Chi B. Ho

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CLAIMS APPENDIX

1. A method of securitizing RCA loans, comprising:
 - aggregating a plurality of RCA loans wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy;
 - creating a plurality of debt securities backed by the plurality of RCA loans including maintaining payments of principal and interest on the debt securities in an event of a default of one of the plurality of RCA loans; and
 - selling the plurality of debt securities in an offering, wherein at least one of said aggregating, creating and selling uses at least one of a data processor and an electronic or computer communications link.
2. The method of claim 1, wherein the offering is one of a private offering and a public offering.
3. The method of claim 1, wherein each of the RCA loans involves:
 - a distribution from a first party to a RCA account and to a refundable tax account, an amount of the distribution being equally divided between the RCA account and the refundable tax account;
 - the life insurance policy owned by the RCA account having a cash surrender value at least as great as the amount of the distribution to the RCA account;
 - a first loan from a lending party to the RCA account, the first loan having a value equal to a predetermined percentage of the distribution, the first loan being secured by the insurance policy and a right to monies recovered from the refundable tax account;
 - a second loan from the RCA account to an intermediary party, the second loan having a value substantially equal to the value of the first loan; and
 - a third loan from the intermediary party to the first party, the third loan having a value substantially equal to the value of the first loan.
4. The method of claim 3, wherein the insurance policy includes a universal life insurance policy.

5. The method of claim 4, wherein the universal life insurance policy includes a first cash surrender value and a second cash surrender value greater than the first cash surrender value, wherein upon a default condition of a respective one of the plurality of RCA loans, the second cash surrender value is used to offset a negative carry condition.

6. The method of claim 1, wherein each of the plurality of RCA loans is secured by an insurance policy and each of the plurality of debt securities provides an investment in a claims-paying ability of each insurance company issuing the insurance policy.

7. A system for offering a debt security, comprising:
a special purpose vehicle computer;
a custodian computer connected to the special purpose vehicle computer via a communication link; and
a broker/dealer computer connected to the communications link;

wherein the special purpose vehicle computer includes computer readable program code causing the special purpose vehicle computer to aggregate a plurality of RCA loans and to transfer data on the plurality of RCA loans to the custodian computer and to the broker/dealer computer, the custodian computer including computer readable program code causing the custodian computer to administer the plurality of RCA loans, the broker/dealer computer including computer readable program code causing the broker/dealer computer to create a plurality of debt securities backed by the plurality of RCA loans and to sell the plurality of debt securities in an offering,

wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy, and

wherein payments of principal and interest on the debt securities are maintained in an event of a default of one of the plurality of RCA loans.

8. The system of claim 7, wherein the administration of the plurality of RCA loans by the custodian computer includes receiving periodic payments for the plurality of RCA loans.

9. The system of claim 7, wherein the plurality of debt instruments includes one of a bond and a commercial paper.

10. The system of claim 7, comprising:

 a lender computer coupled to the communication link; and
 an insurance company computer coupled to the communication link;

 wherein the lender computer includes computer readable program code causing the lender computer to originate at least a respective one of the plurality of RCA loans and the insurance company computer includes computer readable program code causing the insurance company computer to issue an insurance policy related to a respective one of the plurality of RCA loans.

11. The system of claim 10, comprising:

 a master RCA trustee computer coupled to the communication link, the master RCA trustee computer including computer readable program code causing the master RCA trustee computer to administer a respective RCA trust of each of the plurality of RCA loans.

12. The system of claim 11, comprising:

 an additional service provider computer coupled to the communication link, the additional service provider computer including computer readable code causing the additional service provider computer to perform at least one of a set of predetermined functions, the set of predetermined functions including functions of a liquidity provider and an advance provider and a swap counterparty.

13. The system of claim 7, wherein the communication link provides access to a plurality of debtholders and to a plurality of RCA trusts.

14. The system of claim 7, wherein the communication link includes one of an internet network link, a proprietary dial-up network link, a local area network link, a wide area network link, an optical fiber network link and a wireless network link.

15. The system of claim 7, wherein each of the plurality of RCA loans relates to:
 - a distribution from a first party to a RCA account and to a refundable tax account, an amount of the distribution being equally divided between the RCA account and the refundable tax account;
 - an insurance policy owned by the RCA account and having a cash surrender value at least as great as the amount of the distribution to the RCA account;
 - a first loan from a lending party to the RCA account, the first loan having a value equal to a predetermined percentage of the distribution, the first loan being secured by the insurance policy and a right to monies recovered from the refundable tax account;
 - a second loan from the RCA account to an intermediary party, the second loan having a value substantially equal to the value of the first loan; and
 - a third loan from the intermediary party to the first party, the third loan having a value substantially equal to the value of the first loan.

16. A system for offering a debt security, comprising:
 - a special purpose vehicle (SPV) acquiring a portfolio of floating rate RCA loans;
 - a custodian managing the portfolio of RCA loans for the SPV;
 - an agent of the SPV facilitating a sale of debt instruments secured by the portfolio of RCA loans; and
 - a swap counterparty connected to the custodian, the swap counterparty converting payment from the portfolio of floating rate RCA loans to a stream of fixed payments for providing payment to holders of the debt instruments,
 - wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy, and
 - wherein payments of principal and interest on the debt securities are maintained in an event of a default of one of the plurality of RCA loans.

17. The system of claim 16, comprising an additional service provider connected to the custodian, the additional service provider including one of a liquidity provider, an advance provider and a servicer.

18. The system of claim 17, comprising a master trustee connected to the custodian, the master trustee being legally authorized to seek monies refunded from a refundable tax account of a respective one of the plurality of RCA loans.

19. The system of claim 18, comprising a principal and interest account connected to the custodian.

20. The system of claim 16, wherein each of the plurality of RCA loans relates to: a distribution from a first party to a RCA account and to a refundable tax account, an amount of the distribution being equally divided between the RCA account and the refundable tax account;

an insurance policy owned by the RCA account and having a cash surrender value at least as great as the amount of the distribution to the RCA account;

a first loan from a lending party to the RCA account, the first loan having a value equal to a predetermined percentage of the distribution, the first loan being secured by the insurance policy and a right to monies recovered from the refundable tax account;

a second loan from the RCA account to an intermediary party, the second loan having a value substantially equal to the value of the first loan; and

a third loan from the intermediary party to the first party, the third loan having a value substantially equal to the value of the first loan.

EVIDENCE APPENDIX

None.

RELATED PROCEEDINGS APPENDIX

None.